SaskTel

Financial Statements of

THE PHONE BOOK COMPANY PARTNERSHIP

December 31, 2005

106-04463/

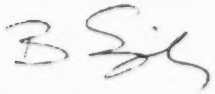
President's Message

The directory industry has been growing rapidly in Canada in recent years and so this past spring The Phone Book Company Partnership (PBC) was established. PBC is a partnership between DirectWest Corporation, a wholly owned subsidiary of Saskatchewan Telecommunications Holding Corporation (SaskTel), owning 85% and Midwest Marketing Inc. owning the remaining 15% interest. With a head office in Regina and branch offices in Red Deer and Edmonton, the company's operations are focused on publishing telephone directories within the Alberta market.

PBC currently publishes competitive telephone directories within the Red Deer, Grande Prairie, and Edmonton market areas. PBC's focus is to provide competitively-priced directory advertising that generates a strong return on investment for advertisers. The partners in PBC each provide services to the business. DirectWest contributes its production and back-office functions, while the owners of Midwest Marketing provide their sales and local market knowledge to the company to assist in the ongoing growth of each directory. PBC publishes its directories under the PBC Business Finder™ brand, and has published directories in Alberta for over 12 years operating as The Phone Book Company.

Because we formed the business on April 1 of last year, our operating results in 2005 reflect only a partial year. Our revenue for the year was $0.46 million, with net expenses at $1.05 million. The net loss for the year was $0.59 million. These results include the launch of a new directory in Edmonton, and reflect the deferral and amortization of revenue and direct costs to be recognized over the life of each directory.

The Canadian directory business sector continued to change at a rapid pace this year. The incumbent directory publisher in BC and Alberta, SuperPages, was sold to Yellow Pages Group who are now the dominant directory company everywhere in Canada except Manitoba and Saskatchewan. Looking forward, the directory business in Canada will continue to become more competitive with more deals and directory launches anticipated in 2006 and beyond. Independent publishers will continue to grow more quickly than incumbent publishers and PBC should have opportunities for further expansion within Alberta and elsewhere. PBC will continue to evaluate further expansion opportunities that will leverage and build on our success in the Alberta market, while maintaining and building on the strong reputation within the communities we serve.



Brent Sjoberg
President, The Phone Book Company Partnership

KPMG

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of financial position of The Phone Book Company Partnership as at December 31, 2005 and the statements of operations, partners' equity and cash flows for the nine month period then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2005 and the results of its operations and its cash flows for the nine month period then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 2, 2006

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

Statement of Operations

For the period ended December 31, (Thousands of dollars)	2005 (nine months)
Gross revenue	$457
Cost of sales	142
Gross profit	315
Operating expenses	931
Income (loss) from operations	(616)
Interest income	25
Net income (loss)	($591)

See accompanying notes

Statement of Partners' Equity

For the period ended December 31, (Thousands of dollars)	2005 (nine months)
Balance, beginning of period	$-
Units issued on formation of Partnership (Note 3)	44
Units issued for cash (100 units)	2,000
Net income (loss)	(591)
Balance, end of period	$1,453

See *accompanying notes*

Statement of Financial Position

As at December 31, (Thousands of dollars)	2005
Assets	
Current assets	
Cash and short-term investments (Note 4)	$1,375
Accounts receivable	138
Prepaid publishing costs	1,770
Prepaid expenses	3
	3,286
Property, plant and equipment (Note 5)	145
	$3,431
Liabilities and Partners' Equity	
Current liabilities	
Accounts payable and accrued liabilities	$895
Deferred revenue	1,083
	1,978
Partners' equity	1,453
	$3,431

See accompanying notes

On behalf of the Partners:

3364381 Canada Ltd.

Midwest Marketing Inc.

Statement of Cash Flows

For the period ended December 31, (Thousands of dollars)	2005 (nine months)
Cash provided by (used in):	
Operating activities	
Net income (loss)	($591)
Items not affecting cash (Note 6)	40
Other operating items (Note 7)	11
	(540)
Investing activities	
Cash acquired on formation of partnership (Note 3)	77
Property, plant and equipment expenditures	(162)
	(85)
Financing activities	
Proceeds from partnership units issued	2,000
Cash and cash equivalents, end of period	$1,375
Comprised of:	
Cash	$425
Short-term investments	950
	$1,375

See accompanying notes

Notes To Financial Statements

Note 1 – Organization

The Phone Book Company Partnership (the Partnership) was created on April 1, 2005 and registered under *The Partnership Act* (Alberta). The Partnership was established for the purpose of carrying on business under the name The Phone Book Company. The Partnership publishes directories in Red Deer, Grande Prairie and Edmonton, Alberta.

As the Partnership is unincorporated, no provision has been made in the accounts fo partners' income taxes. These statements are of the Partnership only and do not include any other assets, liabilities, revenues or expenses of the partners.

Note 2 – Significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Short-term investments

Short-term investments represent interest bearing investments that are due on demand and are stated at cost which approximates market value.

Prepaid publishing costs

The Partnership defers expenses that are directly related to its publications, including printing and distribution costs, direct production salaries and salaries of sales staff. These costs are charged to income over the life of the related publication. Indirect costs are expensed as incurred.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets.

Asset	Estimated useful life
Office furniture, equipment and leaseholds	2-10 years

Revenue recognition

Revenues are earned through the sale of print directory advertising. Advertising revenues are generally recognized, in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory commencing with the delivery or display date, respectively. Amounts billed up front for directories are deferred and recognized over the corresponding life of the related directory.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rates. Revenues and expenses are translated at rates of exchange prevailing on the transaction

Notes To Financial Statements

Note 2 – Significant accounting policies, continued

dates. Translation gains and losses on foreign currency denominated monetary items are taken into income in the current period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable and underlying provision for bad debts, property, plant and equipment, and the recoverability of prepaid publishing costs. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Derivative financial instruments

Derivative financial instruments are used by the Partnership in the management of its foreign currency exposure. The Partnership's policy is not to use derivative financial instruments for trading or speculative purposes.

The Partnership purchases forward foreign exchange contracts to hedge foreign currency risks on telephone directory printing contracts with suppliers outside Canada, and the related accounts payable. Foreign exchange gains and losses on these contracts are recognized as an adjustment of the costs when the payments are recorded. The premium or discount on the contracts is also recognized as an adjustment of the costs when the payments are recorded.

The Partnership formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The Partnership also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current, or non-current, assets or liabilities on the balance sheet and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

Note 3 – Formation of Partnership

On April 1, 2005 DirectWest Corporation (DirectWest) through its subsidiary 3364381 Canada Ltd. purchased an 85.0% undivided interest in the assets of Midwest Marketing Inc. The assets, 85.0% owned by DirectWest and 15.0% owned by Midwest Marketing Inc., were rolled into the Partnership in accordance with Subsection 97(2) of the Income Tax Act. As the transfer was a transaction between related parties, it has been recorded using the carrying value of the net assets transferred. Consideration for the assets was 100 units of the Partnership. The partners also invested an additional $2 million cash into the Partnership, 85.0% by DirectWest and 15.0% by Midwest Marketing Inc. Consideration for this

Notes To Financial Statements

Note 3 – Formation of Partnership, continued

was an additional 100 units of the Partnership. After formation, DirectWest held 170 units and Midwest Marketing Inc. held 30 units. The following is a summary of the transfer:

	(Thousands of dollars)
Net assets transferred:	
Cash	$77
Accounts receivable	197
Prepaid publishing costs	154
Property, plant and equipment	23
Deferred revenues	(407)
	$44
Consideration:	
100 units of the Partnership	$44

Note 4 – Cash and short-term investments

Short-term investments represent funds invested at an average interest rate of 2.96%.

Note 5 – Property, plant and equipment

	Cost	Accumulated depreciation and amortization	Net book value
			2005
			(Thousands of dollars)
Office furniture, equipment and leaseholds	**$185**	**$40**	**$145**

Note 6 – Items not affecting cash

(Thousands of dollars)	**2005** (nine months)
Depreciation and amortization	**$40**

Notes To Financial Statements

Note 7 – Other operating items

(Thousands of dollars)	2005 (nine months)
Changes in non-cash working capital:	
Accounts receivable	$59
Prepaid publishing costs	(1,616)
Prepaid expenses	(3)
Accounts payable and accrued liabilities	895
Deferred revenue	676
	$11

Note 8 – Financial instruments

Currency exposure

The Partnership's foreign exchange risk relates primarily to the risk that the market value of accounts payable and the associated expenses will fluctuate due to changes in exchange rates. The Partnership enters into forward foreign exchange contracts to hedge its foreign currency exposure on telephone directory printing costs. The contracts oblige the Partnership to buy foreign currency in the future at predetermined exchange rates. At December 31, 2005, the Partnership had purchased contracts to buy U.S. $0.7 million in installments from March to May, 2006 at exchange rates ranging from 1.149 to 1.147.

Credit risk

The Partnership has a sufficiently diversified customer base that it is not subject to any significant concentration of credit risk.

Fair value

The carrying amounts of cash and short-term investments, accounts receivable, accounts payable and derivative financial instruments approximate fair value due to the short-term nature of the financial instruments.

The forward foreign exchange contracts, that have become favorable, constitute an unrecognized financial asset of approximately $8 thousand.

Note 9 – Related party transactions

Included in these financial statements are transactions with the partners and with Saskatchewan Telecommunications Holding Corporation and its subsidiaries, various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Notes To Financial Statements

Note 9 – Related party transactions, continued

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. These transactions and amounts outstanding at period-end are as follows:

(Thousands of dollars)	2005 (nine months)
Operating expenses	$392
Prepaid publishing costs	60
Accounts payable and accrued liabilities	668

Note 10 – Commitments and contingencies

The Partnership is committed to future minimum payments under operating leases in each of the next five years as follows:

	(Thousands of dollars)
2006	$30
2007	31
2008	32
2009	32
2010	16

In addition, the Partnership has contracted to purchase goods and services of approximately $1.0 million and U.S. $3.0 million over the next three years.

In the normal course of operations, the Partnership may become involved in various claims and litigation. While the final outcome with respect to claims and litigation cannot be predicted with certainty, it is the opinion of management that any resolution would not have a material adverse effect on the Partnership's financial position or results of operations.

Note 11 – Non-monetary transactions

During the year the Partnership entered into non-monetary transactions to exchange advertising for various products and services. No gains or losses have been reported on these transactions. Gross revenue includes $24 thousand, operating expenses include $24 thousand, deferred revenue includes $38 thousand and prepaid publishing costs include $38 thousand of non-monetary transactions.

Note 12 – Subsequent event

On January 10, 2006, the Partnership purchased the directory assets of THE Telephone Book COMPANY Inc., an independent telephone directory publisher serving the Alberta communities of Brooks, Medicine Hat, Redcliff, and Bow Island for cash consideration of $0.3 million.